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Report of the Inter-Agency Procurement Services Office for the biennium 2000-2001*

Summary

The present biennial report is submitted by the Administrator for the information of the Executive Board, pursuant to Executive Board decision 96/2. It provides an update on the activities of the Inter-Agency Procurement Services Office (IAPSO) of the Bureau of Management from June 2000 to June 2002. The IAPSO procurement handling volume of $185 million in 2000-2001 represents a growth of 34 per cent over the previous biennium. Financial performance during the restructuring year of 2001 was robust. Headcount fell by 23 per cent, fixed-term staff costs were reduced with 15 per cent and strategic cash reserves increased with 20 per cent over the same year. The development of smart e-procurement applications substantially contributed to transaction cost savings and efficiency improvements. Over the biennial period, IAPSO charged on average less than 4 per cent of service fees to its customers over the actual purchase order value.

In line with Executive Board decision 2001/13 on the biennial support budget, IAPSO will no longer have to rely on UNDP budget support in the 2002-2003 biennium to sustain its operations, representing an approximate $1.5 million savings on the UNDP core budget.

Elements of a decision

The Executive Board may wish to:

(a) Take note of the report of the Administrator on the activities of Inter-Agency Procurement Services Office for the biennium 2000-2001 (DP/2002/31) and welcome the entry of IAPSO to self-financing operations;

(b) Encourage IAPSO to develop continuously and promote the use of appropriate e-procurement solutions in the United Nations system;

(c) Recommend within the context of United Nations reforms and common services that IAPSO continue to explore ways in which expanded use of collective pricing agreements can be coordinated with other entities of the United Nations system.

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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Introduction

1. The Inter-Agency Procurement Services Office (IAPSO) actively promotes harmonization and coordination among the many buying operations of the United Nations. IAPSO serves as the secretariat of the Inter-Agency Procurement Working Group and facilitates its annual meetings. It builds buying leverage of common user items, strives for commonly accepted standard specifications, develops e-procurement solutions, engages in procurement research and offers global training opportunities for public procurement practitioners.

2. Under its mandate, IAPSO provides a wide range of advisory and direct procurement services to Governments, United Nations organizations and other partners in development. These services are now provided on a self-financing basis from fees charged, hence avoiding unfair competition with other organizations and drawing down on voluntary contributions to UNDP for such services. This is in line with Executive Board decision 2001/13 on the biennial support budget.

3. In a separate report, document DP/2002/32, IAPSO will provide the Executive Board with consolidated statistics on the United Nations system procurement for 2001.

I. Financial performance

4. With preparations made in 2000, IAPSO reached a self-financing milestone in 2001. Under new management and in line with corporate change process in UNDP, IAPSO set out to balance its books on the basis of service fee revenue rather than UNDP budget support. It did so against an average fee charge of less than 4 per cent over the procurement handling volume. Total revenue increased by 8 per cent from $3.9 million in 2000 to $4.2 million in 2001. Fixed-term staff costs were reduced by 15 per cent over the same period, with the IAPSO headcount coming down from 69 to 53 employees from 2000 to 2001, a reduction of 23 per cent. Cash reserves increased by 20 per cent over the biennium, now totaling the equivalent of 18 months at current operating costs. Excluding the final installments of UNDP budget support, IAPSO realized a net operating surplus of $100 000 in 2001.

II. Inter-agency services

A. Training and capacity-building

5. IAPSO supports UNDP, the United Nations system and, in the context of national execution, programmes country Governments by providing learning opportunities for United Nations system staff and the staff of Governments.

6. IAPSO has stepped up its training activities considerably in 2001. It doubled the number of course rendered to 11 in 2001 (compared to five the previous year). Of

the 11 training courses, two were new and the content of the standard training courses was updated. In the first half of 2002, IAPSO conducted 17 training courses, whereof two were newly designed.

7. In total, 84 participants in 2000 and 212 participants in 2001 joined IAPSO training courses. The number of participants continues to increase, with 293 people trained in the first half of 2002 alone.

8. The training courses were conducted in: Austria, Bangladesh, Cambodia, Central African Republic, Côte d'Ivoire, Cyprus, Denmark, Ethiopia, Ghana, Guatemala, Italy, Kenya, Lao People's Democratic Republic, Republic of Moldova, Russian Federation, Slovak Republic, Thailand, United Arab Emirates, United States and Zambia.

9. The courses covered topics such as procurement policies and practices of UNDP, procurement of goods, services and works, logistics and warehousing, e-procurement, public procurement and legal implications of procurement.

B. Support to the business community

10. IAPSO provides a range of services to the business community, most of which are available online and at no cost to potential suppliers to the United Nations system. In the biennium 2000-2001, IAPSO published procurement notices on behalf of the following organizations on its homepage: African Development Bank, Electricity Network Rehabilitation Programme in Northern Iraq, IAPSO, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Fund for Agricultural Development, International Labour Organization, Office of the United Nations High Commissioner for Refugees, Stop Tuberculosis Partnership, United Nations Economic Commission for Africa, United Nations Educational, Scientific and Cultural Organization, United Nations Industrial Development Organization, United Nations Interim Administration Mission in Kosovo, United Nations Mission in Bosnia and Herzegovina, United Nations Office for Project Services, United Nations Relief and Works Agency for Palestine Refugees in the Near East, and the country offices.

11. IAPSO has modernized its evergreen publication the General Business Guide (GBG), which contains detailed information concerning each United Nations organization and their annual requirement for procurement of both goods and services. The GBG provides an overview for suppliers of the United Nations system and details on common principles and practices of procurement along with contact addresses of United Nations organizations, country offices and peacekeeping missions. Traditionally, the GBG was published annually and made available for a fee. In 2001, IAPSO made the GBG available online and free of charge, both in downloadable format and in an interactive version allowing online search of the GBG. The GBG is now continuously updated with individual United Nations organizations able to update their information directly online.

12. In 2000-2001, visitors to the IAPSO homepage downloaded: (a) 21 800 copies of the General Business Guide; (b) 14 500 copies of practical tips for doing business with the United Nations; and (c) 42 600 copies of the annual statistical report

containing consolidated statistics on the United Nations system procurement volume of both goods and services.

13. IAPSO continues to conduct business seminars for the business community on how to do business with the United Nations. In the biennium 2000-2001, business seminars were organized in London, New York, Geneva, Copenhagen, The Hague, Birmingham, Bonn, Mexico City and Montevideo.

C. Developing the United Nations Common Supplier Database

14. The United Nations Common Supplier Database, managed and maintained by IAPSO, serves as the single global supplier portal to the 14 supporting United Nations organizations. The database has proved to be a valuable procurement tool since its inception in 1998. It is currently undergoing redevelopment to improve further its value as a supplier registration and sourcing facility. The database is actively supported and used by 14 of the major procuring entities in the United Nations system.

II. Procurement services

A. Procurement volume and oversight

15. The volume of procurement handled by IAPSO has continued to grow from $88 million in 2000 to $97.6 million in 2001. This represents an increase of 34 per cent over the previous biennium. UNDP represented 47 per cent of IAPSO client share in 2000-2001, as opposed to only 6 per cent in the previous biennium, mainly as a result of a large procurement handling volume under the Oil for Food Programme in Northern Iraq. Table 1 provides a breakdown of IAPSO procurement activities by product group; Table 2 provides a breakdown by client group.

16. In 2001, the Chief Procurement Officer of UNDP delegated full procurement authority to IAPSO, subject to the outcome of an external procurement audit. An external independent auditing firm executed an ex ante review of IAPSO internal systems and processes, carried out spot checks and completed a post hoc procurement audit review. No major discrepancies were found and IAPSO benefited from the auditor's recommendations, supporting a process of continuous improvement. Consequently, the workload of the Advisory Committee on Procurement at UNDP headquarters was reduced markedly.

B. Collective pricing agreements and e-procurement

17. As detailed in the report of the Administrator on the activities of IAPSO for the biennium 1996/1997 (DP/1996/7), the Consultative Committee on Administrative Questions has recognized that standardization programmes and centrally negotiated

prices for common-user items would have potential for significant savings for the United Nations system. Based on aggregate annual United Nations purchasing volume, IAPSO has traditionally undertaken open international competitive bidding for the supply of common-user items to the United Nations system.

18. IAPSO has traditionally disseminated information concerning the availability and eligibility of the collective pricing agreements by issuing "catalogues" to eligible customers. These catalogues provided details of the products available and information concerning country-specific indications and delivery modalities.

19. In 2000, UNDP/IAPSO developed the web-based procurement system UNWebBuy at http://www.unwebbuy.org/. The system was first introduced in May 2000 and has since formed the backbone of the e-procurement platform of UNDP/IAPSO. The UNWebBuy system provides comprehensive electronic catalogues and value-added services that ensure that the purchases adhere to business best practices and leverage strategic vendor relationships. Through the user-friendly Web interface, clients gain access to a wide range of commodities from software to motor vehicles. By streamlining purchasing from requisition to fulfillment to payment in a totally visible environment, the UNWebBuy system makes it possible to maintain control of and contain spending with a modern e-commerce solution. The UNWebBuy system combines a powerful web-based architecture with an easy-to-use and configurable user interface. The web-based application architecture ensures low implementation costs combined with rapid deployment. As all of the UNWebBuy solutions are browser-based, the benefits are available without adding expensive infrastructure or making large up-front software investments.

20. All prices featured on UNWebBuy have been obtained in a fair and transparent manner complying with the financial rules and procedures of UNDP. Thanks to the IAPSO open international competitive bidding process, our catalogues are recognized by the United Nations and international financial institutions, such as the World Bank, as a valuable alternative to international shopping.

21. Since the launch of the first version of UNWebBuy in 2000, the traffic on the portal has increased significantly. The average number of unique sessions on a weekly basis has increased from about 300 in August 2000 to 1 050 two years later. Over the same period, the number of active users has increased to more than 4 300 and IAPSO currently receives about 100 new requests for usernames/passwords every week.

22. In May 2002, a new and enhanced version of UNWebBuy was launched. An improved shopping cart and quotation system were introduced that enable eligible clients to receive a comprehensive and firm quotation in a matter of seconds. Quotations can be saved for future reference and all documentation can be produced in Acrobat PDF format. Orders can be placed directly through the web site and, once placed, their progress can be tracked using the new track and trace system. The system integration with freight forwarders and other business partners ensures low transaction cost and efficient processing of client requests. Through the successful implementation of the e-procurement system, the requirements for manual data processing in IAPSO have decreased dramatically.

Annex

Table 1. IAPSO procurement by major product group (2000-2001)
(In millions of United States dollars)

Product group	2000		2001	
	Amount	(Per cent)	Amount	(Per cent)
Motor vehicles and spares	35.7	40.6	54.4	55.8
Electrical generation and distribution equipment	33.6	38.2	24.3	24.9
Information technology equipment	5.9	6.7	5.4	5.6
Pharmaceuticals	0	0	4.3	4.4
Office equipment	3.9	4.3	2.8	2.8
Other	8.9	10.2	6.3	6.6
Total	88.0	100.0	97.6	100.0

Table 2. IAPSO procurement services by client group (2000-2001)
(In millions of United States dollars)

Client group	2000		2001	
	Amount	(Per cent)	Amount	(Per cent)
UNDP	41.3	47.0	46.5	47.7
Non-governmental organizations, donor Governments, bilateral and international development entities	21.0	23.9	17.9	18.3
Programme country Governments	7.3	8.3	16.6	17.0
United Nations organizations	14.4	16.3	12.3	12.6
United Nations and eligible diplomatic staff members	4.0	4.5	4.3	4.4
Total	88	100.0	97.6	100.0